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Report Highlights:
The Russian grain crop forecast is 73.5 million metric tons (mmt), including 41.5 mmt of wheat and 17.5 mmt of barley. Despite a 13-percent (6.2 mmt) decrease in wheat production, the MY 2006 wheat export forecast is 8.0 mmt, only 2.6 mmt lower than in MY 2005, due to soaring world wheat prices and strong international demand. Barley exports are forecast at 2.2 mmt. Grain Intervention prices for milling wheat were announced at 3,300 rubles per metric ton for Siberia, and 3,100 rubles for European Russia, but the time of interventions has not yet been determined. In the meantime, domestic wheat prices continue to rise.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[RS]

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Executive Summary

Russia is forecast to harvest 73.5 million metric tons (mmt) of grain this year, including 41.5 mmt of wheat and 17.5 mmt of barley. Harvested area is forecast at the same level as last year, but wheat yields will be lower due to severe weather conditions during the fall and winter. Rainy weather and inadequate pesticide use may also decrease yields in European Russia. Domestic feed grain consumption is forecast to decrease by 1.5 mmt to 31.6 mmt, primarily at the expense of wheat feed consumption (2.4 mmt decrease). This situation may hamper the implementation of the national livestock development project if the decreased grain component is not balanced by protein components in formula feeds. Grain exports are forecast to decrease by 2.0 mmt to 10.3 mmt (8.0 mmt of wheat and 2.2 mmt of barley), but will still be higher than the five-year average. Wheat exports will be stimulated by strong demand in the international markets. Government grain procurement prices have been announced for milling wheat: 3,300 rubles per metric ton for Siberia and 3,100 rubles per metric ton for European Russia. The starting date for these procurement interventions has not yet been determined, and given the increasing domestic wheat prices, interventions are not likely until the end of September.

Harvest Progress

Based on recent information from the fields, the Russian Ministry of Agriculture's grain crop estimate remains conservative at 70 mmt to 73 mmt.

According to the Russian Ministry of Agriculture (MinAg), 8.3 million hectares were harvested by July 31 (18.9 percent of the total expected grain harvest area), yielding 23.7 million metric tons (mmt). In the Southern Federal District 74.5 percent of the grain crop area was harvested, accounting for 91 percent of the District's production (21.5 mmt of grain). Krasnodar kray harvested 30 percent of the Southern Federal District's crop, Stavropol kray – 27 percent, Rostov oblast – 27 percent, and Volgograd oblast – 11 percent. The average grain yield in Volgograd Oblast is 3.08 metric tons per hectare, 0.19 tons per hectare less than last year.

Volga Valley Federal District also started harvesting grain, and by July 31, 1.4 mmt were harvested from 891,000 hectares (6.5 percent of the total expected harvest area). The average yield is 1.57 tons per hectare, 0.08 tons higher than last year.

Grain harvest has begun in the Central Federal District as well, and 6 percent of grain area (411,000 hectares) were harvested by July 31. The grain crop is 871,000 metric tons, with average yield 2.12 tons per hectare, almost 25 percent lower than last year.

According to MinAg, harvest progress as of July 31 is lagging behind the last year's progress by 100,000 hectares, but is still around normal. As of July 31, the average grain yield is 2.87 tons per hectare, 4 percent (0.12 tons) lower than the average yield for the same date last year, and 0.05 tons per hectare lower than the average over the last 5 years. The decrease in yields is due to extreme weather conditions in the fall and spring. The crop in the Central Federal district was more affected than the Southern and Volga Valley Federal Districts.

Wheat quality in the Southern Federal District is reported to be better than last year. Thus, the Krasnodar kray Administration reports that the grain crop (in bunker weight) will be approximately 6.4 mmt, with an average yield of 4.4 tons per hectare. Wheat yield is estimated at 4.5 tons per hectare (0.15 tons less than last year), but the quality will be better. Wheat class 3 (milling) is estimated to constitute 23 percent of the total wheat crop, wheat class 4 (milling and feed) – 56 percent, and feed wheat - 21. Wheat quality in Stavropol kray is also said to be better this year, although yields are lower.

Regions have not reported any shortage of harvesters or fuel. In the regions where they do not have enough harvesters, they expect assistance (custom service) from the better-equipped southern regions. Thus, harvesters (with drivers) from Krasnodar kray, Stavropol kray and Rostov oblast will operate in Lipetsk oblast on an agreement between the administrations. However, the possible increase in fuel prices during the fall period of winter sowing and preparation of soil remains the main concern of farmers. Although the shift by some farmers to minimum tillage in European Russia may decrease fuel costs, their total costs may increase due to agronomic requirement of better seeds, equipment, and more chemicals.

Policy

Milling wheat intervention prices were announced in the beginning of June by the Ag Minister Gordeev at 3,300 Rubles per metric ton for Siberia and 3,100 rubles for European Russia. Preparations to interventions are underway, and recently the Agricultural Minister ordered that for 2006 price of storing grain in the intervention fund has been agreed with the Federal Service on Tariffs, and will not exceed 49 rubles a month per 1 metric tons of stored grain (MinAg's Order # 172 of June 13, 2006, registered in the Ministry of Justice July 17, 2006). However, the time for interventions has not been announced yet. World wheat prices strengthen, and by the end of July average milling wheat prices (class 3 wheat) in European Russia increased to 3,300 rubles per metric ton, and increased by another 100 rubles within the last few days. The upward trend in wheat prices is stimulated first of all by exporters' demand. And this demand influences first of all prices of class 4 wheat and feed wheat (class 5). According to experts, price of class 4 wheat in the European Russia has reached 3,250 rubles per one metric ton, while price of class 5 (feed) wheat has increased to 2,875 rubles per metric ton. Exports of feed wheat may be facilitated by simplification of required export papers: regulation that require veterinary certificate for exports of Class 5 (feed) wheat has been lifted by the recent letter of the Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) for cases when such certificate is not requested by the importer and wheat is not intended for feed use.

However, the price situation and information about the grain crop is not transparent. The Chairman of the Grain Union told journalists that nobody knows what the amount of so-called "gray" (non-reported) grain will be this year, and called for modernization of the taxation system to improve relations of data collectors with farmers and to increase transparency of grain production and trade. On the other hand, some local grain producers see the dilemma from a different angle, and even favor making information about grain production, sown area, and yields classified in order to be on equal terms with grain and fuel traders. Regardless, realistic estimates of Russian grain (especially wheat) supply and demand will be difficult this year, due to strong export demands and a smaller crop.

Wheat

In MY 2006, wheat exports are forecast at 8.0 mmt. The forecast is based on growing foreign demand for wheat, and the strong role of big grain traders in the Russian agricultural economy. Feed wheat consumption will decrease to 12.5 mmt. Imports of wheat (primarily from Kazakhstan) will increase to 1.3 mmt.

Wheat and wheat flour exports in grain equivalent reached 10.17 mmt (including 314,600 metric tons of wheat flour in grain equivalent) during July 2005 – May 2006, and another estimated 450,000 metric tons of wheat exports in June indicate a MY 2005 total of 10.6

mmt. Wheat and wheat flour imports in grain equivalent during July – May were almost 1.08 mmt (including 35,700 metric tons of flour), and the MY estimate is 1.2 mmt. Exports in MY 2006 are raised to 7.5 mmt due to attractive international wheat prices. Imports from Kazakhstan will also increase to 1.3 mmt to fill Russia's regional gaps in wheat supply.

Table 1. PSD, Wheat, 1,000 Metric Tons, 1,000 Hectares

PSD Table							
Country	**Russian Federation**						
Commodity	**Wheat**				(1000 HA)(1000 MT)		
	2004	**Revised**	**2005**	**Estimate**	**2006**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	24200	24200	25400	24667	23500	23500	(1000 HA)
Beginning Stocks	2645	2645	3891	3891	3491	3491	(1000 MT)
Production	45400	45400	47700	47608	41500	41500	(1000 MT)
TOTAL Mkt. Yr. Imports	1197	1197	800	1200	1200	1300	(1000 MT)
Jul-Jun Imports	1197	1197	800	1200	1200	1300	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	49242	49242	52391	52699	46191	46291	(1000 MT)
TOTAL Mkt. Yr. Exports	7951	7951	10500	10600	6500	8000	(1000 MT)
Jul-Jun Exports	7951	7951	10500	10600	6500	8000	(1000 MT)
Feed Dom. Consumption	13600	13600	14900	14900	13700	12500	(1000 MT)
TOTAL Dom. Consumption	37400	37400	38400	38608	36900	35800	(1000 MT)
Ending Stocks	3891	3891	3491	3491	2791	2491	(1000 MT)
TOTAL DISTRIBUTION	49242	49242	52391	52699	46191	46291	(1000 MT)

Barley

Russia increased malting barley production, and barley imports are decreasing yearly. In MY 2006, barley imports are forecast at 200,000 metric tons.

Table 2. PSD, Barley, 1,000 Metric Tons, 1,000 Hectares

PSD Table							
Country	**Russian Federation**						
Commodity	**Barley**				(1000 HA)(1000 MT)		
	2004	**Revised**	**2005**	**Estimate**	**2006**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	10000	10000	9150	8714	10200	8800	(1000 HA)
Beginning Stocks	2227	2227	2110	2155	960	960	(1000 MT)
Production	17200	17200	15800	15790	18000	17500	(1000 MT)

TOTAL Mkt. Yr. Imports	272	317	250	215	250	200	(1000 MT)
Oct-Sep Imports	266	266	250	200	250	200	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	19699	19744	18160	18160	19210	18660	(1000 MT)
TOTAL Mkt. Yr. Exports	1089	1089	1700	1700	2200	2200	(1000 MT)
Oct-Sep Exports	1488	1488	1600	1600	2200	2200	(1000 MT)
Feed Dom. Consumption	11700	11700	10900	10900	11300	11300	(1000 MT)
TOTAL Dom. Consumption	16500	16500	15500	15500	15900	15400	(1000 MT)
Ending Stocks	2110	2155	960	960	1110	1060	(1000 MT)
TOTAL DISTRIBUTION	19699	19744	18160	18160	19210	18660	(1000 MT)

Corn

Table 3. PSD, Corn, 1,000 Metric Tons, 1,000 Hectares

PSD Table							
Country	**Russian Federation**						
Commodity	**Corn**				(1000 HA)	(1000 MT)	
	2004	**Revised**	**2005**	**Estimate**	**2006**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	900	900	850	830	1000	850	(1000 HA)
Beginning Stocks	159	159	241	241	141	141	(1000 MT)
Production	3500	3500	3200	3210	3600	3550	(1000 MT)
TOTAL Mkt. Yr. Imports	226	226	250	250	250	260	(1000 MT)
Oct-Sep Imports	226	226	250	250	250	260	(1000 MT)
Oct-Sep Import U.S.	13	13	0	0	0	0	(1000 MT)
TOTAL SUPPLY	3885	3885	3691	3701	3991	3901	(1000 MT)
TOTAL Mkt. Yr. Exports	44	44	50	60	0	50	(1000 MT)
Oct-Sep Exports	44	44	50	60	0	50	(1000 MT)
Feed Dom. Consumption	3000	3000	2950	2950	3300	3220	(1000 MT)
TOTAL Dom. Consumption	3600	3600	3500	3500	3800	3750	(1000 MT)
Ending Stocks	241	241	141	141	191	151	(1000 MT)
TOTAL DISTRIBUTION	3885	3885	3691	3701	3991	3901	(1000 MT)